

**HATCH TOWN**  
**FINANCIAL STATEMENTS**  
**(UNAUDITED)**  
**YEAR ENDED JUNE 30, 2005**

## HATCH TOWN

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**KEMPBURDICK**

**KEMP BURDICK HINTON & HALL L.C.**

**CPA'S & ADVISORS**

**Compilation Report of Independent Certified Public Accountants**

**MEMBERS:**

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The Honorable Mayor and  
Town Council  
Hatch, Utah

We have compiled the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Hatch, Utah, as of and for the year ended June 30, 2005, which collectively comprised the Town's basic financial statements as listed in the table of contents, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and accordingly, do not express an opinion, or any other form of assurance, on them.

The Management's Discussion and Analysis are not a required part of the basic financial statement but are supplementary information required by the Governmental Accounting Standings Board. We have compiled the supplementary information from information that is the representation of management, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.

*Kemp, Burdick, Hinton & Hall LC*

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January 6, 2006

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the Town of Hatch (Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2005. Please read it in conjunction with the accompanying basic financial statements.

### **FINANCIAL HIGHLIGHTS**

- Total assets exceed total liabilities (net assets) by \$481,148 at the close of the fiscal year.
- Total net assets increased by \$12,155.
- Total revenues from all sources were \$81,850 and the total cost of all Town programs was \$69,695.
- Total revenue received in the General Fund was \$11,152 more than the final budget and expenditures were \$17,706 less than the final budget.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$9,486 or 25.7% of total General Fund expenditures.

### **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The three components of the financial statements are: (1) Government-wide financial statements which include the Statement of Net Assets and the Statement of Activities. These statements provide information about the activities of the Town as a whole. (2) Fund financial statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements. (3) Notes to the financial statements.

### **Reporting the Town as a Whole**

#### **The Statement of Net Assets and the Statement of Activities (Government-wide)**

A frequently asked question regarding the Town's financial health is whether the year's activities contributed positively to the overall financial well-being. The Statement of Net Assets and the Statement of Activities report information about the Town as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's net assets and changes in them. Net assets, the difference between assets and liabilities, are one way to measure the Town's financial health, or financial position. Over time, increases or decreases in net assets are an indicator of whether the financial health is improving or deteriorating. However, it is important to consider other non-financial factors such as changes in the Town's property tax base or jurisdiction, the availability of capital projects, and condition of the Town's assets to accurately assess the overall health of the Town. The Statement of Net Assets and the Statement of Activities, present information about the following:

- Government activities – All of the Town's basic services are considered to be governmental activities, including general government, public safety, public works/streets, and parks and recreation. Property taxes, sales taxes, intergovernmental revenues and charges for services finance most of these activities.
- Proprietary activities/Business type activities – The Town currently only has one proprietary activities fund. It is the water fund.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of the Town's financial position. The Town's combined assets exceed liabilities by \$481,148 as of June 30, 2005 as shown on the following condensed statement of net assets.

	Governmental activities		Business-type activities	
	6/30/2005	6/30/2004	6/30/2005	6/30/2004
Current and other assets	\$ 51,470	\$ 29,539	\$ 108,294	\$ 110,883
Capital assets	90,244	96,931	352,639	364,834
Total assets	141,714	126,470	460,933	475,717
Long-term liabilities outstanding	17,942	26,389	103,557	106,805
Other liabilities	-	-	-	-
Total liabilities	17,942	26,389	103,557	106,805
Net assets:				
Invested in capital assets, net				
of related debt	72,302	70,542	249,082	258,029
Restricted	41,984	28,577	6,142	6,142
Unrestricted	9,486	962	102,152	104,741
Total net assets	\$ 123,772	\$ 100,081	\$ 357,376	\$ 368,912

### Governmental Activities

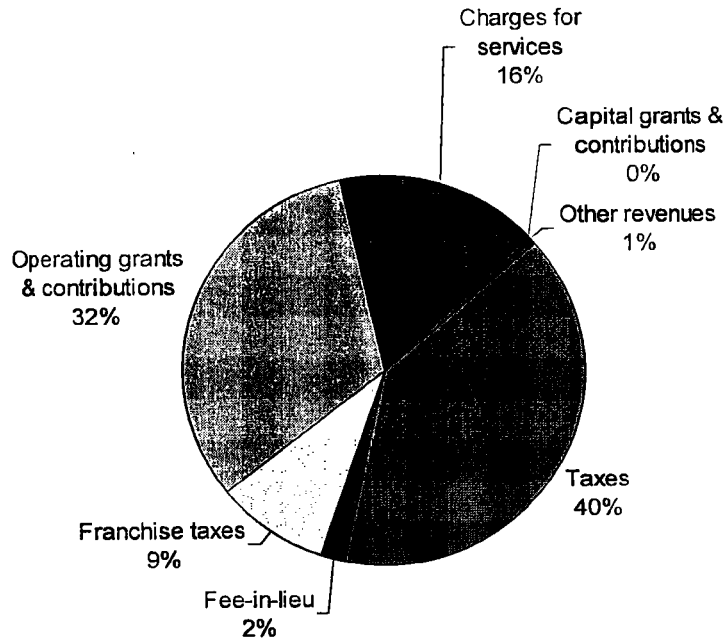
The cost of all Governmental activities this year was \$35,130. \$9,696 of this cost was paid for by those who directly benefited from the programs, \$18,836 was subsidized by grants received from other governmental organizations for operations and capital activities. Overall governmental program revenues, including intergovernmental aid and fees for services were \$28,532. General revenues, including taxes and investment earnings totaled \$30,289.

The Town's programs include: General Government, Public Safety, Public Works/Streets, and Parks and Recreation. Each programs' net cost (total cost less revenues generated by the activities) is presented below. The net cost shows the extent to which the Town's general taxes support each of the Town's programs.

	Governmental activities		Business-type activities	
	<u>6/30/2005</u>	<u>6/30/2004</u>	<u>6/30/2005</u>	<u>6/30/2004</u>
Revenues:				
Program revenues:				
Charges for services	\$ 9,696	\$ 9,015	\$ 21,500	\$ 30,067
Operating grants and contributions	18,836	16,627	-	-
Capital grants and contributions	-	-	-	-
General revenues:				
Taxes	28,723	20,116	-	-
Fee-in-lieu	1,085	1,336	-	-
Investment earnings	481	449	1,529	962
Total revenues	<u>58,821</u>	<u>47,543</u>	<u>23,029</u>	<u>31,029</u>
Expenses:				
General government	17,543	18,330	-	-
Public safety	6,664	8,639	-	-
Public works/Streets	7,518	22,899	-	-
Parks and recreation	3,405	7,886	-	-
Interest on long-term debt	-	-	3,772	5,530
Water	-	-	30,793	24,385
Total expenses	<u>35,130</u>	<u>57,754</u>	<u>34,565</u>	<u>29,915</u>
Increase in net assets	23,691	(10,211)	(11,536)	1,114
Net assets, beginning	100,081	110,292	368,912	367,798
Net assets, ending	<u>\$ 123,772</u>	<u>\$ 100,081</u>	<u>\$ 357,376</u>	<u>\$ 368,912</u>

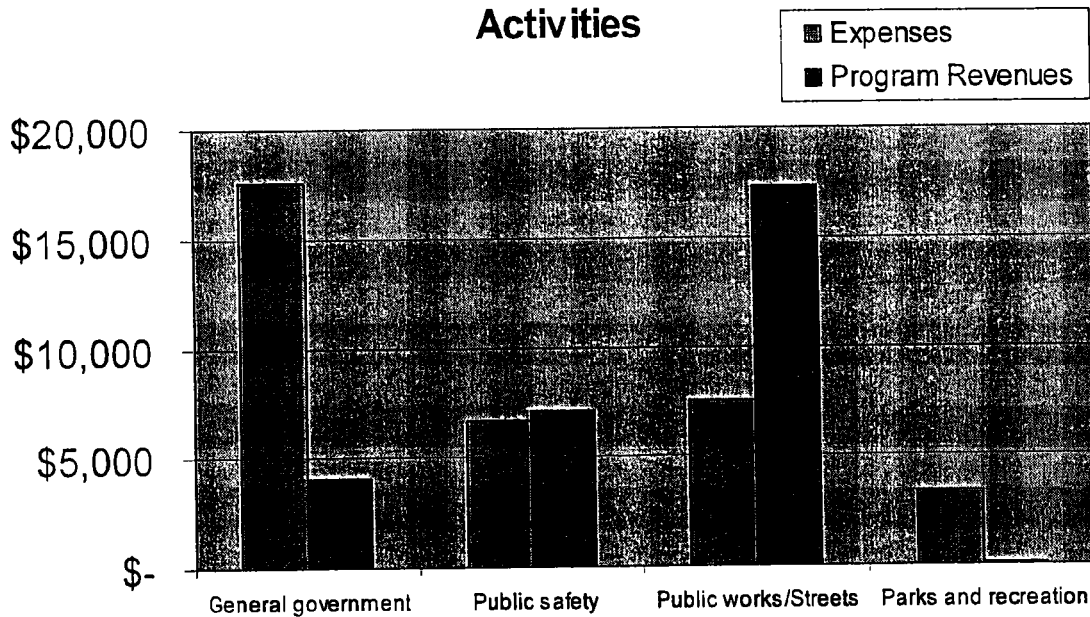
Total resources available during the year to finance governmental operations were \$158,902 consisting of Net assets at July 1, 2004 of \$100,081, program revenues of \$28,532 and General Revenues of \$30,289. Total Governmental Activities expenses during the year were \$35,130; thus Governmental Net Assets were increased by \$23,691 to \$123,772.

### Revenue by Source - Governmental Activities



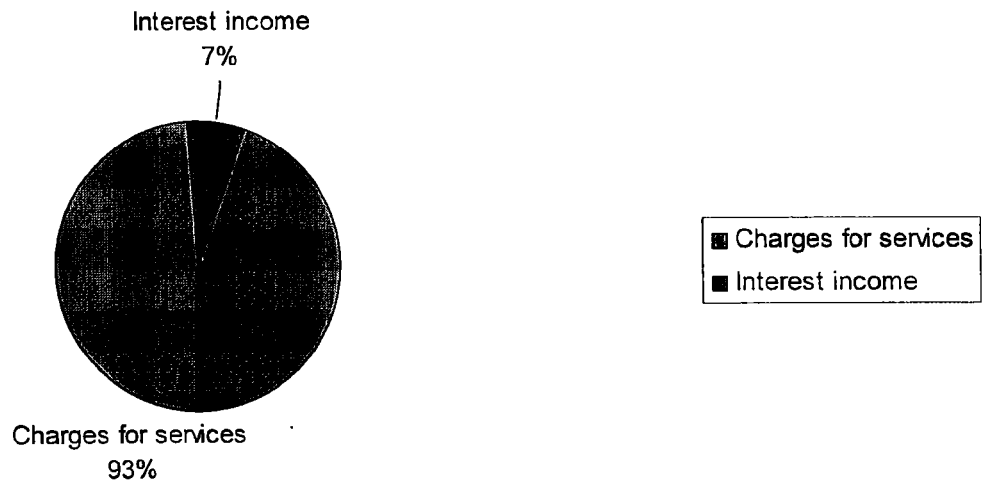
The following graphs compare program expenses to program revenues for this year and provide a breakdown of revenues by source for all governmental activities:

### Expenses and Program Revenues - Governmental Activities

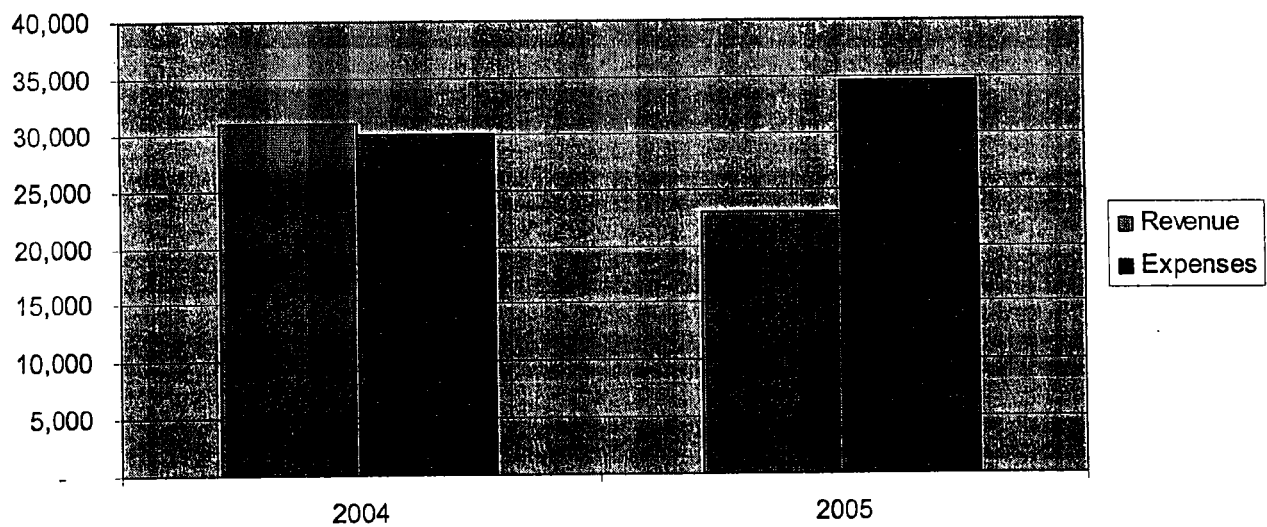


The following graphs provide a breakdown of current year proprietary revenue by source, and a two year comparison of revenue and expenses.

### Revenues by Source - Current Year



### Comparison of Revenues & Expenses by Year





## **General Fund Budgetary Highlights**

The final appropriations for the General Fund at year-end were \$17,706 more than actual expenditures. Actual revenues were greater than the final budget by \$11,152 mainly due to general sales and use taxes and franchise tax revenue. No budget amendments were made during the year.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

The capital assets of the Town are those assets that are used in performance of Town functions. Capital Assets include land, buildings, and equipment. At the end of fiscal year 2005, net capital assets of the government activities totaled \$90,244 and net capital assets of the business-type activities totaled \$352,639. Depreciation on capital assets is recognized in the Government-Wide financial statements. (See note 6 to the financial statements.)

### **Debt**

At the end of fiscal year 2005, the Town's total government and proprietary debt outstanding was \$17,942 and \$103,557 respectively. During the fiscal year, the Town's debt decreased by \$11,695. (See note 7 to the financial statement.)

## **NEXT YEAR'S BUDGET AND ECONOMIC FACTORS**

In considering the Town Budget for fiscal year 2005/2006, the Town Board and management estimated the budget for operating revenues and expenditures will be similar to this year.

## **CONTACTING THE TOWN'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jacie Torgerson, Town Clerk of the Town of Hatch, P.O. Box 625, Hatch, UT, 84735 or call 435-735-4364.

## **BASIC FINANCIAL STATEMENTS**

**TOWN OF HATCH**  
**Statement of Net Assets**  
**June 30, 2005**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 46,985	\$ 100,366	\$ 147,351
Receivables (net of allowance)	4,485	1,786	6,271
Temporarily restricted assets:			
Cash and cash equivalents	-	6,142	6,142
Capital assets (net of accumulated depreciation):			
Land	2,200	-	2,200
Buildings	85,257	-	85,257
Equipment	2,787	-	2,787
Distribution system	-	352,639	352,639
Total assets	<u>141,714</u>	<u>460,933</u>	<u>602,647</u>
<b>Liabilities</b>			
Accounts payable and other current liabilities	-	-	-
Noncurrent liabilities:			
Due within one year	8,905	1,757	10,662
Due in more than one year	9,037	101,800	110,837
Total liabilities	<u>17,942</u>	<u>103,557</u>	<u>121,499</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	72,302	249,082	321,384
Restricted for:			
Debt service	-	6,142	6,142
Fire Department	41,984	-	41,984
Class C roads	-	-	-
Unrestricted	9,486	102,152	111,638
Total Net Assets	<u>\$ 123,772</u>	<u>\$ 357,376</u>	<u>\$ 481,148</u>

See accompanying accountants' report and notes to the financial statements

**TOWN OF HATCH**  
Statement of Activities  
Year Ended June 30, 2005

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes	
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	
<b>Governmental activities:</b>					
General government	\$ 17,543	\$ 728	\$ 3,362	\$ -	\$ -
Public safety	6,664	1,985	5,085	-	-
Public works/Streets	7,518	6,903	10,389	-	-
Parks and recreation	3,405	80	-	-	-
Total governmental activities	35,130	9,696	18,836	-	-
<b>Business-type activities:</b>					
Utility Fund	34,565	21,500	-	-	(13,065)
Total business-type activities	34,565	21,500	-	-	(13,065)
<b>General Revenues:</b>					
<b>Taxes:</b>					
Property taxes levied for general purposes				6,536	-
Sales and use taxes				16,741	-
Fee-in-lieu				1,085	-
Franchise taxes				5,446	-
Unrestricted investment earnings				481	1,529
Transfers				-	-
Total general revenues & transfers				30,289	1,529
Change in net assets				23,691	(11,536)
Net assets - beginning				100,081	368,912
Net assets - ending				\$ 123,772	\$ 357,376

See accompanying accountants' report and notes to the financial statements

**TOWN OF HATCH**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2005**

	<u>General Fund</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>		
Cash	\$ 46,985	\$ 46,985
Receivables	<u>4,485</u>	<u>4,485</u>
 Total Assets	 <u>\$ 51,470</u>	 <u>\$ 51,470</u>
 <b>Liabilities and Fund Balances:</b>		
<b>Liabilities:</b>		
Accounts Payable	<u>\$ -</u>	<u>\$ -</u>
 Total Liabilities	 <u>-</u>	 <u>-</u>
 <b>Fund Balances:</b>		
Reserved	41,984	41,984
Unreserved	<u>9,486</u>	<u>9,486</u>
Total Fund Balances	<u>51,470</u>	<u>51,470</u>
Total liabilities and fund balance	<u>\$ 51,470</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	90,244
Some liabilities, including bonds payable and capital leases, are not due and payable in the current period and therefore are not reported in the funds.	<u>(17,942)</u>
Net assets of governmental activities	<u>\$ 123,772</u>

See accompanying accountants' report and notes to the financial statements

**TOWN OF HATCH**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended June 30, 2005**

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	<u>General Fund</u>
<b>Revenues:</b>	
Property taxes	\$ 6,536
Fee-in-lieu taxes	1,085
General sales & use taxes	16,741
Franchise taxes	5,446
Licenses & permits	163
Intergovernmental revenue	13,292
Charges for services	8,969
Other	<u>6,589</u>
 Total Revenues	 <u>58,821</u>
 <b>Expenditures:</b>	
General government	13,109
Public safety	4,411
Public works/Streets	15,965
Parks and recreation	<u>3,405</u>
 Total Expenditures	 <u>36,890</u>
 Net change in fund balances	 21,931
 Fund Balance - Beginning of Year	 <u>29,539</u>
 Fund Balance - End of Year	 <u><u>\$ 51,470</u></u>

See accompanying accountants' report and notes to the financial statements

**TOWN OF HATCH**  
**Reconciliation of the Statement of Revenues,**  
**Expenditures, and Changes in Fund Balances of Governmental Funds**  
**To the Statement of Activities**  
**For the Year Ended June 30, 2005**

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Amounts reported for governmental activities in the statement of activities  
are different because:

Net change in fund balances - total governmental funds	\$ 21,931
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(6,687)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	<u>8,447</u>
Change in net assets of governmental activities	<u><u>\$ 23,691</u></u>

See accompanying accountants' report and notes to the financial statements

**TOWN OF HATCH**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual**  
**Year Ended June 30, 2005**

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Favorable
				(Unfavorable)
<b>Revenues:</b>				
Property taxes	\$ 7,700	\$ 7,700	\$ 6,536	\$ (1,164)
Fee-in-lieu taxes	12,000	12,000	1,085	(10,915)
General sales & use taxes	2,000	2,000	16,741	14,741
Franchise taxes	600	600	5,446	4,846
Licenses & permits	180	180	163	(17)
Intergovernmental revenue	13,989	13,989	13,292	(697)
Charges for services	8,535	8,535	8,969	434
Other	2,665	2,665	6,589	3,924
<b>Total Revenues</b>	<b>47,669</b>	<b>47,669</b>	<b>58,821</b>	<b>11,152</b>
<b>Expenditures:</b>				
General government	16,700	16,700	13,109	3,591
Public safety	6,200	6,200	4,411	1,789
Public works/Streets	24,044	24,044	15,965	8,079
Parks and recreation	7,652	7,652	3,405	4,247
<b>Total Expenditures</b>	<b>54,596</b>	<b>54,596</b>	<b>36,890</b>	<b>17,706</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(6,927)</b>	<b>(6,927)</b>	<b>21,931</b>	<b>28,858</b>
<b>Net change in fund balance</b>	<b>(6,927)</b>	<b>(6,927)</b>	<b>21,931</b>	<b>28,858</b>
<b>Fund Balance - Beginning of Year</b>	<b>29,539</b>	<b>29,539</b>	<b>29,539</b>	<b>-</b>
<b>Fund Balance - End of Year</b>	<b>\$ 22,612</b>	<b>\$ 22,612</b>	<b>\$ 51,470</b>	<b>\$ 28,858</b>

See accompanying accountants' report and notes to the financial statements



**TOWN OF HATCH**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2005**

	<u>Water Fund</u>
<b>Assets:</b>	
Current Assets:	
Cash	\$ 100,366
Receivables	1,786
Restricted Cash	6,142
Total current assets	<u>108,294</u>
Noncurrent Assets:	
Property, Plant & Equipment	491,317
Accumulated Depreciation	<u>(138,678)</u>
Total noncurrent assets	<u>352,639</u>
<b>Total Assets</b>	<u><u>\$ 460,933</u></u>
<b>Liabilities:</b>	
Current liabilities:	
Accounts Payable	\$ -
Current portion of long-term debt	1,757
Total Current liabilities	<u>1,757</u>
Noncurrent liabilities:	
Bonds Payable	101,800
Total noncurrent liabilities	<u>101,800</u>
Total Liabilities	<u>103,557</u>
<b>Net Assets:</b>	
Invested in capital assets, net of related debt	249,082
Restricted for debt service	6,142
Unrestricted	<u>102,152</u>
Total Net Assets	<u><u>\$ 357,376</u></u>

See accompanying accountants' report and notes to the financial statements

**TOWN OF HATCH**  
**Statement of Revenues, Expenses, and Changes in Net Assets**  
**Proprietary Funds**  
**For the Year Ended June 30, 2005**

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	Water Fund
<b>Operating Revenues:</b>	
Water sales	\$ 21,440
Penalties	60
	<u>21,500</u>
Total Operating Revenues	<u>21,500</u>
<b>Operating Expenses:</b>	
Salaries & benefits	3,330
General administration	4,302
Professional services	3,000
Repairs & maintenance	3,964
Supplies	2,137
Utilities	1,865
Depreciation	12,195
	<u>30,793</u>
Total Operating Expenses	<u>30,793</u>
Operating Income	<u>(9,293)</u>
<b>Non-operating revenue/(expenses):</b>	
Interest expense	(3,772)
Interest income	1,529
	<u>(2,243)</u>
Total Non-Operating Income (Loss)	<u>(2,243)</u>
Net income before transfers	<u>(11,536)</u>
Change in net assets	(11,536)
Net assets, Beginning of Year	<u>368,912</u>
Net assets, End of Year	<u>\$ 357,376</u>

See accompanying accountants' report and notes to the financial statements

**TOWN OF HATCH**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2005**

	<u>Water Fund</u>
<b>Cash flows from operating activities:</b>	
Cash received from customers, service fees	\$ 21,430
Cash paid to suppliers	(15,268)
Cash paid to employees	(3,330)
	<u>2,832</u>
<b>Cash flows from capital and related financing activities:</b>	
Interest paid on long-term debt	(3,772)
Principal payments on long-term debt	(3,248)
	<u>(7,020)</u>
<b>Cash flows from investing activities:</b>	
Interest on investments	1,529
	<u>1,529</u>
<b>Net change in cash and cash equivalents</b>	(2,659)
<b>Cash and cash equivalents, beginning of year</b>	<u>109,167</u>
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 106,508</u></u>
<b>Reconciliation of operating income to net cash flows from operating activities:</b>	
Net operating income	\$ (9,293)
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation/amortization	12,195
Changes in operating assets and liabilities:	
(Increase)/decrease in receivables	(70)
Increase/(decrease) in accounts payable	<u>-</u>
<b>Cash flows from operating activities</b>	<u><u>\$ 2,832</u></u>

See accompanying accountants' report and notes to the financial statements

**TOWN OF HATCH**  
**Notes to the Financial Statements**  
**June 30, 2005**

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**NOTE 1.      Summary of Significant Accounting Policies**

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**General**

The Town of Hatch (Town) is incorporated under the laws of the State of Utah. The Town operates under a council form of government and provides the following services: general government, public safety, public works/streets, and parks and recreation.

The financial statements of the Town have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Town's accounting policies are described below.

**Reporting Entity**

In evaluating how to define the Town for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth in GAAP. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Town is able to exercise oversight responsibilities. Based upon the application of these criteria, there are no separate component units combined to form the reporting entity.

The accompanying financial statements include all activities of the Town.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of the inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

**TOWN OF HATCH**  
**Notes to the Financial Statements**  
**June 30, 2005**

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**NOTE 1.      Summary of Significant Accounting Policies, Continued**

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The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

**Government-wide financial statements** are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The use of financial resources to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than as an expenditure. Proceeds from long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term debt of the Town are reported as a reduction of a related liability, rather than as expenditures in the government-wide financial statements.

**Governmental fund financial statements** are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

**TOWN OF HATCH**  
**Notes to the Financial Statements**  
**June 30, 2005**

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**NOTE 1.      Summary of Significant Accounting Policies, Continued**

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The **General Fund** is used to account for all financial resources applicable to the operations of the Town. It is the only major governmental fund of the Town.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

**Business type fund financial statements are reported**, using the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and become measurable; expenses are recognized in the period incurred.

**Business-type Funds** are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the Town is that the costs of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges, or where the Town has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriated for capital maintenance, public policy, management control, accountability or other purposes.

The **Water Fund** is used to account for the provision of water services to the residents of the Town. It is the Town's only business-type fund.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1998, generally are followed in both the governmental-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services.

**TOWN OF HATCH**  
**Notes to the Financial Statements**  
**June 30, 2005**

---

**NOTE 1.      Summary of Significant Accounting Policies, Continued**

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Operating expenses for the proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted assets are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

**Deposits and Investments**

Cash includes cash on hand, demand deposits with banks and other financial institutions, deposits in other types of accounts or cash management pools that have the general characteristics of demand deposit accounts and short-term investments with original maturities of three months or less from the date of acquisition. The Town's policy allows for the investment of funds in time certificates of deposit with federally insured depositories, investment in the state treasurer's pool, and other investments as allowed by the State of Utah's Money Management Act. All investments are carried at fair value with unrealized gains and losses recorded as adjustments to interest earnings. Fair market values are based on quoted market prices.

**Receivables and Payables**

All trade accounts receivable are shown net of an allowance for uncollectibles. Due to the nature of the accounts receivable in governmental type activities, management does not consider an allowance for uncollectible accounts receivable necessary or material. Therefore, no allowance for uncollectible accounts receivable is presented.

**Inventories and prepaid items**

The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed. Also, the Town's inventory of materials and supplies is deemed to be immaterial; thus, no provision for inventory has been made in these financial statements.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

**Capital Assets**

Fixed assets in the proprietary funds are carried at cost. Depreciation is computed using the straight-line method over the assets estimated useful lives.

**TOWN OF HATCH**  
**Notes to the Financial Statements**  
**June 30, 2005**

---

**NOTE 1.      Summary of Significant Accounting Policies, Continued**

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When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in income for the period. The cost of maintenance and repairs is charged to income as incurred; significant renewals and betterments are capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Capital assets in governmental funds, which include property, plant, and equipment are reported in the government-wide financial statements. Capital assets are defined as assets with an individual cost of more than \$1,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

In accordance with GASB 34, the Town has opted not to retroactively report infrastructure fixed assets. Infrastructure normally includes assets such as roads, curb and gutter, sidewalks, street lighting, storm drains and other improvements.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings	40 years
Streets & improvements	20 years
Automobiles and trucks	5-7 years
Machinery and equipment	7 years

**Accrued Benefits**

Accumulated unpaid vacation and other employee benefit amounts are accrued as an expenditure at year end only when the Town has such a liability.



**TOWN OF HATCH**  
**Notes to the Financial Statements**  
**June 30, 2005**

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**NOTE 1.      Summary of Significant Accounting Policies, Continued**

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**Long-term Obligations**

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums, discounts, and issuance costs are deferred and amortized over the life of the applicable debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Estimates**

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Net Assets**

Net assets are the difference between assets and liabilities. Net assets invest in capital assets, net of related debt are capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are legal limitations imposed on their use by legal limitations imposed on their use by legislation or external restrictions by other governments, creditors or grantors.

**Use of Restricted Assets**

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

**TOWN OF HATCH**  
**Notes to the Financial Statements**  
**June 30, 2005**

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**Note 2.      Reconciliation of Government-Wide and Fund Financial Statements**

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**Explanation of certain differences between the governmental fund balance sheet and government-wide statement of net assets:**

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net assets of governmental activities as reported in the government-wide statement of net assets. The differences primarily result from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheet. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.: The details of this difference are as follows:

Bonds payable	<u>\$ (17,942)</u>
Net adjustment to decrease fund balance total governmental funds to arrive at net assets governmental activities	<u><u>\$ (17,942)</u></u>

**Capital related items:**

When capital assets (property, plant & equipment) that are to be used in governmental activities are purchased or constructed, the cost of those assets are reported as expenditures in governmental funds. However, the statement of net asset includes those capital assets among the assets of the Town as a whole.

Cost of capital assets	\$ 163,595
Accumulated depreciation	<u>(73,351)</u>
Net adjustment to increase fund balance total governmental funds to arrive at net assets of governmental activities	<u><u>\$ 90,244</u></u>

**TOWN OF HATCH**  
**Notes to the Financial Statements**  
**June 30, 2005**

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**Note 2.      Reconciliation of Government-Wide and Fund Financial Statements, Continued**

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**Explanation of differences between governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities:**

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between net changes in fund balances-total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. The first element of this reconciliation states that capital outlays are reported in the governmental funds as expenditures while the government-wide statement of activities allocates these costs over the useful lives of the assets as depreciation. While shown in the reconciliation as the net difference, the elements of this difference are as follows:

Capital Outlay	\$ -
Depreciation Expense	<u>(6,687)</u>
Net adjustment to increase net changes in fund balance - total governmental funds to arrive at changes in net assets of governmental activities	  <u>\$ (6,687)</u>

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**NOTE 3.      Stewardship Compliance and Accountability**

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**Budgets and Budgetary Accounting**

Annual budgets are reported and adopted by the Town Council on or before June 22 for the fiscal year commencing the following July 1 in accordance with State Law. The operating budget includes proposed expenditures and the proposed sources of financing for such expenditures. Prior to June 22, a public hearing is conducted to obtain taxpayer input. Budgets are adopted and control of budget appropriations is exercised, under State Law, at the department level. Budget amendments are required to increase expenditure budgets and are adopted, in a public hearing, before the end of the fiscal year.

The General Fund budget is prepared using the modified accrual basis of accounting. Budgets for the proprietary fund types are prepared using the accrual basis of accounting.

During the current fiscal year, there were no amendments to the budget.

**Encumbrances**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Town.

**TOWN OF HATCH**  
**Notes to the Financial Statements**  
**June 30, 2005**

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**NOTE 3. Stewardship Compliance and Accountability, Continued**

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**Taxes**

Property taxes are collected by the Garfield County Treasurer and remitted to the Town in monthly installments. Taxes are levied each October on the taxable value listed as of the prior January 1 for all real property located in the Town. Taxable values are established by the County Assessor at a percent of the fair market value on primary residential property and 100 percent of the fair market value on non-primary residential property. A revaluation of all property is required to be completed no less than every five years. Taxes are due and payable on November 1 and delinquent after November 30 of each year, at which time they become liens if not paid.

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**NOTE 4. Deposits and Investments**

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A reconciliation of cash and investments as shown on the statement of net assets follows:

Cash and cash equivalents	\$ 147,351
Restricted cash and cash equivalents	6,142
Total	<u>\$ 153,493</u>

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the state and review the rules adopted under the authority of the State of Utah Money Management Act that relate to the deposit and investment of public funds.

The Town follows the requirements of the Utah Money Management Act (Utah code, Section 51, chapter 7) in handling its depository and investment transactions. The Act requires the depositing of Town funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

**Deposits**

*Custodial Credit Risk*

For deposits this is the risk that in the event of a bank failure, the government's deposit may not be returned to it. The Town does not have a formal policy for custodial credit risk. As of June 30, 2005 cash on hand was \$450 and the carrying amount of the Town's deposits was \$49,239. As of June 30, 2005, \$0 of the Town's bank balance of \$49,660 was exposed to custodial credit risk because it was uninsured and uncollateralized.

**TOWN OF HATCH**  
**Notes to the Financial Statements**  
**June 30, 2005**

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**NOTE 4.      Deposits and Investments, Continued**

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**Investments**

The Money Management Act defines the types of securities authorized as appropriate investment for the Town and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the Town to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poor's, bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer.

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, *Utah Code Annotated, 1953*, as amended. The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gain or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses – net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

**TOWN OF HATCH**  
**Notes to the Financial Statements**  
**June 30, 2005**

**NOTE 4. Deposits and Investments, Continued**

As of June 30, 2005 the government had the following investments and maturities:

Investment Type	Fair Value	Investments Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
Local Government Pooled Investment Fund	\$ 103,804	\$ 103,804	\$ -	\$ -	\$ -
Total Fair Value	<u>\$ 103,804</u>	<u>\$ 103,804</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**Interest rate risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

**Credit risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town's policy for reducing its exposure to credit risk is to comply with the State's Money Management Act.

At June 30, 2005 the Town had the following investments and quality ratings:

Investment Type	Fair Value	Quality Ratings			
		AAA	AA	A	Unrated
Local Government Pooled Investment Fund	\$ 103,804	\$ -	\$ -	\$ -	\$ 103,804
Total Fair Value	<u>\$ 103,804</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 103,804</u>

**TOWN OF HATCH**  
**Notes to the Financial Statements**  
**June 30, 2005**

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**NOTE 5.        Receivables**

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Receivables shown in the balance sheet of the utility fund are amounts due from residents for water service.

Management considers all receivables to be collectable. Therefore, an allowance for doubtful accounts is not presented and is not considered material.

**TOWN OF HATCH**  
**Notes to the Financial Statements**  
**June 30, 2005**

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**NOTE 6. Capital Assets**

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The following table summarizes the changes to the fixed assets during the year ended June 30, 2005:

<b>Governmental Activities:</b>	<b>Balance 6/30/2004</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 6/30/2005</b>
Capital assets, not being depreciated:				
Land	\$ 2,200	\$ -	\$ -	\$ 2,200
Total capital assets, not being depreciated	<u>2,200</u>	<u>-</u>	<u>-</u>	<u>2,200</u>
Capital assets, being depreciated:				
Buildings and improvements	125,644	-	-	125,644
Furniture, Equipment & Vehicles	35,751	-	-	35,751
Total capital assets, being depreciated	<u>161,395</u>	<u>-</u>	<u>-</u>	<u>161,395</u>
Less accumulated depreciation for:				
Buildings and improvements	(36,866)	(3,521)	-	(40,387)
Furniture, Equipment & Vehicles	<u>(29,798)</u>	<u>(3,166)</u>	<u>-</u>	<u>(32,964)</u>
Total accumulated depreciation	<u>(66,664)</u>	<u>(6,687)</u>	<u>-</u>	<u>(73,351)</u>
Total capital assets, being depreciated, net	<u>94,731</u>	<u>(6,687)</u>	<u>-</u>	<u>88,044</u>
Governmental activities capital assets, net	<u>\$ 96,931</u>	<u>\$ (6,687)</u>	<u>\$ -</u>	<u>\$ 90,244</u>

Depreciation expense was charged to the functions/programs of the City as follows:

<b>Governmental Activities:</b>	
General government	\$ 4,434
Public safety	<u>2,253</u>
Total depreciation expense - governmental activities	<u>\$ 6,687</u>



**TOWN OF HATCH**  
**Notes to the Financial Statements**  
**June 30, 2005**

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**NOTE 6. Capital Assets, Continued**

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<b>Business Type Activities:</b>	<b>Balance 6/30/2004</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 6/30/2005</b>
Capital assets not being depreciated:				
Land	\$ -	\$ -	\$ -	\$ -
Total capital assets, not being depreciated	-	-	-	-
Capital assets being depreciated:				
Distribution System	487,800	-	-	487,800
Furniture, Equipment & Vehicles	3,517	-	-	3,517
Total capital assets, being depreciated	491,317	-	-	491,317
Less accumulated depreciation for:				
Distribution System	(122,966)	(12,195)	-	(135,161)
Furniture, Equipment & Vehicles	(3,517)	-	-	(3,517)
Total accumulated depreciation	(126,483)	(12,195)	-	(138,678)
Total capital assets, being depreciated, net	364,834	(12,195)	-	352,639
Business-type activities capital assets, net	<u>\$ 364,834</u>	<u>\$ (12,195)</u>	<u>\$ -</u>	<u>\$ 352,639</u>

Depreciation expense was charged to the functions/programs of the City as follows:

**Business-Type Activities:**

Water	<u>\$ 12,195</u>
Total depreciation expense - business-type activities	<u>\$ 12,195</u>

**TOWN OF HATCH**  
**Notes to the Financial Statements**  
**June 30, 2005**

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**NOTE 7. Long-Term Debt**

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The following is a summary of long-term debt for the year ended June 30, 2005.

**General Obligation:**

5.3% Class C Roads Lease Revenue Bonds. The amount of the payment, including interest and principle is \$9,897, and is made from Class C road funds. \$ 17,942

**Revenue Obligation - Business-type:**

Farmers Home Administration 5.125% Water Revenue Bonds. The bond calls for monthly payments of \$585 including interest at 5.125% and matures in 2033. 103,557

**Total Bonds Payable** \$ 121,499

The following is a summary of changes in long-term debt for the year ended June 30, 2005

	<u>Balance 6/30/2004</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 6/30/2005</u>	<u>Current Portion</u>
<b>Governmental activities:</b>					
<b>General Obligation:</b>					
Class C Road Lease					
Revenue Bonds	\$ 26,389	\$ -	\$ 8,447	\$ 17,942	\$ 8,905
<b>Total Governmental Activity</b>					
Long-term Liabilities	<u>\$ 26,389</u>	<u>\$ -</u>	<u>\$ 8,447</u>	<u>\$ 17,942</u>	<u>\$ 8,905</u>
<b>Business-type Activities:</b>					
<b>Revenue Obligation:</b>					
Farmers Home Administration					
Water Revenue Bonds	\$ 106,805	\$ -	\$ 3,248	\$ 103,557	\$ 1,754
<b>Total Business-type Activity</b>					
Long-term Liabilities	<u>\$ 106,805</u>	<u>\$ -</u>	<u>\$ 3,248</u>	<u>\$ 103,557</u>	<u>\$ 1,754</u>
<b>Total Long-term Debt</b>	<u><u>\$ 133,194</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 11,695</u></u>	<u><u>\$ 121,499</u></u>	<u><u>\$ 10,659</u></u>

**TOWN OF HATCH**  
**Notes to the Financial Statements**  
**June 30, 2005**

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**NOTE 7. Long-Term Debt, Continued**

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The annual requirements to amortize long-term debt outstanding as of June 30, 2005 are as follows:

Fiscal Period Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2006	\$ 8,905	\$ 974	\$ 1,754	\$ 5,267
2007	9,037	491	1,846	5,175
2008	-	-	1,942	5,078
2009	-	-	2,044	4,976
2010	-	-	2,152	4,869
2011-2015	-	-	12,573	22,527
2016-2020	-	-	16,238	18,862
2021-2025	-	-	20,968	14,132
2026-2030	-	-	27,080	8,022
2031-2033	-	-	16,960	2,214
Total	<u>\$ 17,942</u>	<u>\$ 1,465</u>	<u>\$ 103,557</u>	<u>\$ 91,122</u>

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**NOTE 8. Reserved and Designated Fund Balances**

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Reserves and designations are used to indicate that a portion of the fund balance is not available for appropriation or expenditure, or is legally segregated for a specific future use. At June 30, 2005, the Town of Hatch's reserved fund balances are as follows:

<b>General Fund:</b>	
Fire Department	\$ 41,984
Class C Roads	-
Total	<u>41,984</u>
<b>Water Fund:</b>	
Debt Reserves	\$ 6,142

**TOWN OF HATCH**  
**Notes to the Financial Statements**  
**June 30, 2005**

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**NOTE 9.      Defined Benefit Pension Plan**

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The Town has no full-time employees; thus, the Town does not participate in the Utah State-Wide Local Government Retirement Systems (Systems).

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**NOTE 10.      Segment Information - Enterprise Fund**

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The Town maintains one enterprise fund (utility fund) which provides water services to its citizens. All activities in the fund are included in the proprietary column in the financial statements.

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**NOTE 11.      Risk Management**

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The Town is exposed to various risks of loss to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. The Town maintains insurance for general liability, auto liability, and employee dishonesty through Utah Local Government's Insurance Trust.

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**NOTE 12.      Bond Reserves**

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The water revenue bonds require a reserve of one annual payment of \$7,020 be accumulated over a 120 month period beginning October 1993. The balance of the reserve at June 30, 2005 is \$6,142